

DATE: 22 April 1958

MEMORANDUM FOR: Chief, Intelligence Information Staff, OER

Attn: [REDACTED] 25X1A9a

THROUGH: Chief, Industrial Division, OER

THROUGH: Chief, Transport and Heavy Machinery Branch, OER

FROM: 25X1A9a [REDACTED] Transport and Heavy Machinery Branch, OER

SUBJECT: Recognition of outstanding economic reporting by
personnel of the Consulate-General, Hong Kong,
Department of State

1. The division of which the originator is a member conducts detailed research on the engineering industries of Communist China. We rely very heavily on the economic reporting as well as the translation services of the Consulate-General.

2. It is the general opinion here that the Consulate-General's reports exemplify the very highest standards of economic reporting. Dispatch No. 746 is only the latest of a number of timely and well analyzed pieces on industrial activity on the mainland.

3. The following statement serves to indicate some points of emphasis in our current research on the engineering industries and might be of some benefit to the economic reporting officers at Hong Kong.

As the Second Five Year Plan begins there are indications of strenuous efforts to correct economic imbalances which developed during the First Five Year Plan and to achieve a greater degree of self-sufficiency in the production of capital goods. For a number of reasons the Chinese Communists may wish to depend less on Soviet assistance. As the level of Soviet aid has apparently been severely cut, the Chinese Communists must rely primarily on their own resources. Fragmentary evidence suggests that the Chinese Communists will make substantial modification of Soviet designs and techniques in order to: (1) Conserve foreign exchange, (2) employ more people, (3) reduce construction periods, etc. These factors will necessitate readjustments particularly in the engineering industries, at the very time these industries are shifting priorities to give direct and indirect support

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to the revised program for agricultural development particularly in the form of chemical engineering equipment for fertilizer plants and irrigation equipment. The stated aims are somewhat contradictory and it is likely that some strains will develop. The Chinese engineer, moreover, will play a crucial role in adapting Soviet and other technology to the peculiar conditions in China. This will require great flexibility, as many of the techniques taught in Soviet engineering courses require a high degree of mechanization.

4. Action addressee is requested to convey the material in paragraphs 1 through 3 to appropriate echelons of the Department of State.

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